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In The Supreme Court of the United States

EBAY, INC. AND HALF.COM, INC.,
Petitioners,

v.

MERCEXCHANGE, L.L.C.,
Respondent.

On Writ Of
Certiorari To The United States
Court Of Appeals For The Federal Circuit

BRIEF OF RESEARCH IN MOTION, LTD. AS *AMICUS CURIAE* IN SUPPORT OF PETITIONERS

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TABLE OF CONTENTS

	Page
STATEMENT OF INTEREST OF AMICUS CURIAE	1
SUMMARY OF THE ARGUMENT	3
ARGUMENT	5
I. THE ENFORCEMENT OF PATENTS MUST PROMOTE THE USEFUL ARTS.	5
II. INJUNCTIONS AGAINST PATENT INFRINGEMENT MUST BE ISSUED IN ACCORDANCE WITH EQUITABLE PRINCIPLES DEPENDING UPON THE CIRCUMSTANCES OF EACH CASE.	7
III. PRINCIPLES OF EQUITY REQUIRE A SEARCHING EQUITABLE ANALYSIS PRIOR TO ISSUANCE OF AN INJUNCTION.	13
CONCLUSION	18

TABLE OF AUTHORITIES

	Page(s)
Cases	
Amoco Prod. Co. v. Village of Gambell, Alaska, 480 U.S. 531 (1987)	7, 8
City of Harrisonville v. W.S. Dickey Clay Mfg. Co., 289 U.S. 334 (1933)	7
Continental Paper Bag Co. v. Eastern Paper Bag Co., 210 U.S. 405 (1908)	17, 18
Dopp v. HTP Corp., 947 F.2d 506 (1st Cir. 1991)	10
Foster v. American Mach. & Foundry Co., 492 F.2d 1317 (2d Cir. 1974)	14
Graham v. John Deere Co., 383 U.S. 1 (1966)	5, 6
Hecht Co. v. Bowles, 321 U.S. 321 (1944)	8
MercExchange, L.L.C. v. eBay, Inc., 401 F.3d 1323 (Fed. Cir. 2005)	4, 6, 8, 16
Miller v. Johnston, 270 Cal. App. 2d 289, 75 Cal. Rptr. 699 (1969)	10
Nerney v. New York, N.H. & H.R. Co., 83 F.2d 409 (2d Cir. 1936)	14
New York Times Co. v. Tasini, 533 U.S. 483 (2001)	4, 9
PGBA, LLC v. United States, 389 F.3d 1219 (Fed. Cir. 2004)	7

TABLE OF AUTHORITIES

	Page(s)
Richardson v. Suzuki Motor Co., 868 F.2d 1226 (Fed. Cir. 1989)	4
Rite-Hite Corp. v. Kelley Co., 56 F.3d 1538 (Fed. Cir. 1995)	8
Riter v. Keokuk Electro-Metals Co., 248 Iowa 710, 82 N.W.2d 151 (1957)	10
Roche Prods., Inc. v. Bolar Pharm. Co., 733 F.2d 858 (Fed. Cir. 1984)	8
Root v. Railway Co., 105 U.S. 189 (1881)	6
Stickle v. Heublein, Inc., 716 F.2d 1550 (Fed. Cir. 1983)	10
Weinberger v. Romero-Barcelo, 456 U.S. 305 (1982)	7, 10, 14

Constitutional Provisions

U.S. CONST. art. I, §8, cl. 8	3, 5

Statutes

35 U.S.C.	
§261	4, 9
§270 (1984)	8
§271(a)	2
§283	3, 4, 5, 6, 7, 9, 11, 18
Patent Act of 1790, ch. 7, 1 Stat. 109	6
Patent Act of 1793, ch. 11, 1 Stat. 318	6

TABLE OF AUTHORITIES

	Page(s)
Patent Act of 1800, ch. 25, 2 Stat. 37	6
Patent Act of 1819, ch. 19, 3 Stat. 481	6

Court Rules

SUP. CT. R.	
37.2(a)	1
37.6	1

Other Authorities

Dan L. Burk & Mark A. Lemley, *Policy Levers in Patent Law*, 89 VA. L. REV. 1575 (2003)	16, 17
Lee Gomes, *Patenting Good Ideas Could Hurt Companies Rather Than Aid Them*, WALL ST. J., Aug. 23, 2004 at B1, *available at* http://online.wsj.com/article/0,,SB109321585862298031,00.html?mod=todays_us_marketplace	14
Kimberly A. Moore, *Markman Eight Years Later: Is Claim Construction More Predictable?* 9 LEWIS & CLARK L. REV. 231 (2005)	9
Lorraine Woellert, *Did RIM Pay Too Soon?*, BUSINESSWEEK ONLINE, April 8, 2005, *available at* http://www.businessweek.com/bwdaily/dnflash/apr2005/nf2005048_4289_db016.htm	14

STATEMENT OF INTEREST OF AMICUS CURIAE

Research In Motion, Ltd. ("RIM") respectfully submits this brief as amicus curiae in support of Petitioners pursuant to Supreme Court Rule 37.2(a). Both Petitioners and Respondents have filed written consent to the filing of amicus briefs with this Court.[1]

RIM is a technology company serving business and government customers worldwide through its unique BlackBerry wireless email and data access system. In the United States, more than 3.2 million individuals depend upon the versatility, reliability and security of the BlackBerry system for both routine and urgent communications. This includes a substantial number of federal, state and local government personnel, government contractors and subcontractors and individuals who play key roles in the operation and maintenance of the nation's critical infrastructure and essential industries.

RIM's interests, as well as the interests of its customers and business partners, are directly impacted by this case. The complexities of wireless communication mean that RIM's products, like those of other companies in the telecom and technology industries, require licenses under hundreds of patents. Within these industries, the mutual requirement for patents covering a number of different types of technology and the prospect of potential counterclaims, places natural restraints on industry participants' use of patents and the positions that they advocate in negotiations. Indeed, several organizations formed to develop the wireless communication protocols necessary to enable communication across cellular

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[1] Pursuant to Supreme Court Rule 37.6, *amicus curiae* RIM states that counsel for the parties have not authored any portion of this brief, nor has any person or entity other than *amicus* itself made any financial contribution to the preparation or submission of this brief.

networks require that their members agree to license essential patents on fair, reasonable and non-discriminatory terms.

RIM has more than a dozen patent license agreements in place with both large and small patent owners. Through these agreements, RIM licenses hundreds of patents required to make and use the BlackBerry system. There is, however, a new industry being built on the revenues of the telecom industry and on those of other industries like it. Ever growing numbers of companies are acquiring patent portfolios and using these patent portfolios to extract royalties from existing products and services. These patent assertion companies do not use their patents and know-how to make new products or services available to the public or to improve those products and services already available. Their sole activity is to identify existing products or services in the marketplace against which they can assert their patents. Unlike industry participants, they have no natural constraints on their activities or demands. Patent assertion companies use the threat of injunction to extract not an amount reflecting the value of their patented invention as used in the product or service, but the value to a company of being able to continue to use or sell the infringing product or service—which in many instances means the amount a company is prepared to pay to remain in business. Because patent assertion companies do nothing to introduce or improve products or services, they can never face this threat themselves and have no incentive to limit their demands to an amount that reflects the value of their patented invention.

RIM's BlackBerry system is currently in litigation and is being threatened by an injunction sought by a patent assertion company.[2] As in the instant case, the patent claims

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[2]On January 23, 2006, the Court denied RIM's petition for a writ of certiorari in Case No. 05-763. The question presented related to applicability of "use" infringement under 35 U.S.C. Section 271(a) to the transnational BlackBerry system, whose Network Control Center, the

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asserted against RIM have been rejected by the Patent and Trademark Office in reexamination proceedings.[3] Even a concession by the patent assertion company that the PTO is likely to fully and finally invalidate all its patent claims in these proceedings has had no effect on its disproportionate and publicly disclosed demands. As explained below, RIM believes that this is a direct result of the patent assertion company's ability to threaten RIM with an injunction and its assessment of the potential impact of this threat on RIM's ongoing business—not the actual and reasonable value of its patented invention.

SUMMARY OF THE ARGUMENT

The U.S. Constitution authorizes Congress to "promote the Progress of . . . useful Arts, by securing for limited Times to . . . Inventors the exclusive Right to their . . . Discoveries." U.S. CONST. art. I, §8, cl. 8. Patent laws, including their remedies, are subject to these constitutional limitations.

The plain language of Section 283 of the Patent Act provides that injunctive relief (unlike monetary damages) is a discretionary remedy that may be accorded to patent owners only upon consideration of the equities of a particular case. These familiar equitable principles are irreparable injury (adequacy of remedy at law), balancing of hardships

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heart and brains of the system, is located at the company's corporate headquarters in Ontario, Canada.

[3]A panel of senior patent examiners at the PTO has issued a First Office Action for the '592 patent and Second Office Actions for all remaining patents in suit, with each office action rejecting all of the claims in each of these patents on multiple grounds. Indeed, one of the bases for rejection of the claims in the '592 patent was that they were anticipated by a RIM patent, and in each of the Second Office Actions, the PTO found the patentee's arguments during reexamination to be "non-persuasive." The PTO has indicated that it will issue Final Office Actions rejecting these patents no later than the end of March 2006.

and the public interest. In the decision below, however, the Federal Circuit has placed in doubt the application of the traditional standard for injunctive relief. Extrapolating from an inapt analogy to tangible property rights,[4] the Federal Circuit's decision suggests that courts should consider less than the full equitable analysis suggested by Section 283. The truncated consideration of the equitable factors suggested by the Federal Circuit's decision is not only inconsistent with the requirements of Section 283 and its legislative history, but improperly conflates the concept of the exclusive "right" with the nature of the "remedy."

The analogy between patents and tangible property, despite its long history at the Federal Circuit and this Court, should not control availability of the patent infringement remedy. Section 261 tempers the statement that "patents shall have the attributes of personal property" by making it "subject to the provisions of this title." 35 U.S.C. §261. Thus, although patents are intangible *personal* property, Section 283's requirement of consideration of the principles of equity takes priority over any contrary attributes of personal property.

Even without this explicit prioritization, there is no legal doctrine that makes injunctions routinely available to property owners without a full equitable analysis.[5] Injunctions have long been considered exceptional remedies granted only where other remedies are inadequate. In many circumstances, the nature of the business of a patentee is

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[4] *See MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1338 (Fed. Cir. 2005) ("Because the 'right to exclude recognized in a patent is but the essence of the concept of property,' the general rule is that a permanent injunction will issue once infringement and validity have been found") (quoting *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1246-47 (Fed. Cir. 1989)).

[5] *See, e.g., New York Times Co. v. Tasini*, 533 U.S. 483, 505 (2001) (rejecting an automatic injunction rule in copyright cases).

such that an injunction may well be the only adequate remedy and the patentee may suffer irreparable harm if an injunction is not granted. The availability of remedies at law and the likelihood of irreparable harm to the patentee, however, are factors required to be taken into account as part of the traditional test for injunctive relief. The fact that the outcome of the traditional analysis in the patent context may often result in the issuance of an injunction does not justify truncating the full equitable analysis expressly required by Section 283.

If left in place, the Federal Circuit's analytical framework for determining the availability of injunctive relief carries ramifications for today's technology-based economy far beyond the facts in MercExchange's case for an injunction against eBay. If the patent laws in general, and the permanent injunction remedy in particular, are in fact to serve the Constitutional purpose of promoting the "useful arts," the scope of the factors that they are required to consider in the exercise of their discretion to grant injunctions must be sufficiently broad to assess the real equities of each case.

ARGUMENT

I.

THE ENFORCEMENT OF PATENTS MUST PROMOTE THE USEFUL ARTS.

The federal power to grant patents stems from the provision in the Constitution authorizing Congress to "promote the Progress of . . . useful Arts, by securing for limited Times to . . . Inventors the exclusive Right to their . . . Discoveries." U.S. CONST. art. I, §8, cl. 8. This Court has emphasized that the patent clause "is both a grant of power and a limitation." *Graham v. John Deere Co.*, 383 U.S. 1, 5 (1966). As such, neither Congress nor the courts may

"enlarge the patent monopoly without regard to the innovation, advancement or social benefit gained thereby." *See id.* at 6. Nor may they "authorize the issuance of patents whose effects are to remove existent knowledge from the public domain, or to restrict free access to materials already available." *Id.* Equitable remedies for patent infringement, and the circumstances for their availability, must be considered in the context of the Constitutional objectives of patent law.

In reaching its decision below, the Federal Circuit suggested that the general availability of permanent injunctive relief for patent infringement stems from the fact that a patent is property. *See MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1338 (Fed. Cir. 2005). This link is not supported by the Constitution, the patent statute, or its legislative history. Although the first three patent acts adopted by Congress granted inventors the exclusive *right* to their inventions, they did not include injunctions within the panoply of *remedies* that the courts could use to enforce that right. Rather, the original Patent Act of 1790 authorized damages and the forfeiture of infringing articles. Patent Act of 1790, ch. 7, 1 Stat. 109, 111; *see Root v. Railway Co.*, 105 U.S. 189, 191 (1881). The Patent Acts of 1793 and 1800 revised the measure of damages, but again made no mention of injunctive relief. *See* Patent Act of 1793, ch. 11, 1 Stat. 318–323; Patent Act of 1800, ch. 25, 2 Stat. 37–38. It was not until the Patent Act of 1819 that Congress authorized (but did not require) courts to administer injunctive relief "according to the course and principles of courts of equity" and "on such terms and conditions as the said courts may deem fit and reasonable . . . ." Patent Act of 1819, ch. 19, 3 Stat. 481–82; *see also Root*, 105 U.S. at 192.

The language of the 1819 Patent Act permitting issuance of injunctions "according to the course and principles of courts of equity" has remained relatively constant through modern times. Section 283 of the current Patent Act provides that:

> The several courts having jurisdiction of cases under this title *may grant injunctions in accordance with the principles of equity* to prevent the violation of any right secured by patent, *on such terms as the court deems reasonable.* (35 U.S.C. §283 (emphases added))

Under the plain language of this provision, injunctions (unlike damages) are a discretionary remedy for patent infringement that courts may grant only if doing so accords with the principles of equity under the unique facts of each case.

II.

INJUNCTIONS AGAINST PATENT INFRINGEMENT MUST BE ISSUED IN ACCORDANCE WITH EQUITABLE PRINCIPLES DEPENDING UPON THE CIRCUMSTANCES OF EACH CASE.

The "principles of equity" that Section 283 requires for injunctive relief are well-settled. This Court has itself stressed that an injunction "is not a remedy which issues as of course." *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 311 (1982) (quoting *City of Harrisonville v. W.S. Dickey Clay Mfg. Co.*, 289 U.S. 334, 337–38 (1933)). Rather, injunctions are drastic remedies reserved for instances in which both irreparable harm and the inadequacy of other legal remedies are shown. 456 U.S. at 312 (citing cases). As such, in other contexts, the Federal Circuit has stated that permanent injunctions are appropriate only where a plaintiff has succeeded on the merits and shows that it will suffer irreparable harm without an injunction, that the balance of hardships tips in the movant's favor and that an injunction will serve the public interest. *See, e.g., PGBA, LLC v. United States*, 389 F.3d 1219, 1227 (Fed. Cir. 2004); *see also Amoco*

Prod. Co. v. Village of Gambell, Alaska, 480 U.S. 531, 546 n.12 (1987).

Indeed, in a patent case decided twenty years ago, the Federal Circuit itself affirmed that "[w]hether an injunction should issue . . . [and] what form it should take, certainly depends on the equities of the case." *Roche Prods., Inc. v. Bolar Pharm. Co.*, 733 F.2d 858, 865–66 (Fed. Cir. 1984) (remanding case for trial court "to consider what [the public] interest is and what measures it calls for").[6] In *Roche*, the Federal Circuit specifically found that the Roche litigants were "*mistaken in their apparent belief that once infringement is established and adjudicated, an injunction must follow.*" *Id.* at 866 (emphasis added). The *Roche* court said:

> The essence of equity jurisdiction has been the power of the Chancellor to do equity and to mold each decree to the necessities of the particular case. Flexibility rather than rigidity has distinguished it. The qualities of mercy and practicality have made equity the instrument for nice adjustment and reconciliation between the public interest and private needs as well as between competing private claims. (*Id.* at 866–67 (quoting *Hecht Co. v. Bowles*, 321 U.S. 321, 329 (1944)))

In the decision below, the Federal Circuit suggests that district courts still retain discretion to deny equitable relief. *MercExchange v. eBay*, 401 F.3d at 1338 ("a court may decline to enter an injunction when 'a patentee's failure to practice the patented invention frustrates an important public need for the invention . . .'") (quoting *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1547 (Fed. Cir. 1995)). The Federal Circuit's analysis appears, however, to have narrowed

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[6] *Roche* was superseded in part on other grounds by 35 U.S.C. Section 270 (1984), but was not overturned in this regard in the decision below.

the scope of factors a court is permitted to take into account in exercising its discretion *not* to grant an injunction. The Federal Circuit has thus at least created significant uncertainty regarding the trial courts' discretion and scope of relevant factors in the application of equitable principles mandated by the Patent Act.

The Federal Circuit's reasoning appears to be that the characterization of patents as property in and of itself limits the equitable factors to be considered in the exercise of discretion under Section 283, reasoning adopted by *amici* American Intellectual Property Law Association and Federal Bar Association. In doing so, the Federal Circuit and *amici* improperly conflate the *right* conferred by the Patent Act with the *remedy* of an injunction. Right and remedy are distinct concepts and—as demonstrated by the lack of any injunctive option in the first three versions of the Patent Act—the right to exclude need not coincide with the remedy of injunctive relief.

Indeed, Section 261 of the Patent Act states that "[s]ubject to the provisions of this title, patents shall have the attributes of personal property." 35 U.S.C. §261. The phrase "[s]ubject to the provisions of this title" makes it clear that the attributes of patents as personal property are subject to the discretion vested by Section 283 in district courts to either grant or deny injunctive relief based on traditional equitable factors, including irreparable harm and the availability of an adequate remedy at law. *Cf. New York Times Co. v. Tasini*, 533 U.S. 483, 505 (2001) (rejecting an automatic injunction rule in copyright cases).[7]

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[7]Patent rights differ from property rights because they can be infringed without any knowledge that the patent exists—such as where an entity develops the invention independently. Even with knowledge of a patent, there is no certainty as to its scope until the patent is finally interpreted by the courts, a process that is less than predictable. *See* Kimberly A. Moore, *Markman Eight Years Later: Is Claim Construction More Predictable?* 9 LEWIS & CLARK L. REV. 231 (2005). Thus, as

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As a general matter, remedies are tailored to the circumstances of the wronged party. *See, e.g., Stickle v. Heublein, Inc.*, 716 F.2d 1550, 1563 (Fed. Cir. 1983) ("Injunctions and damages must be tailored to the circumstances and be correlatively determined"); *Dopp v. HTP Corp.*, 947 F.2d 506, 517 (1st Cir. 1991) ("[A] plaintiff who is injured by reason of a defendant's behavior is, for the most part, entitled to be made whole—not to be enriched"). They are not determined by the nature of the right breached *per se*, but rather by the nature of the damage, which in turn depends on the specific circumstances of the owner and its use of the right.[8] Injunctive relief is extraordinary and is available only where remedies at law are inadequate. *Weinberger*, 456 U.S. at 311-12 (citing cases).

There is nothing inherent in intangible property rights that renders the harm from infringement irreparable or damages an inadequate remedy *per se*. That stretches the analogy with tangible property too far; unlike tangible property, patents have no inherent physical limitations on the extent of their use and, in general, use by one person does not impact availability for use by others. In other words, unlike a car or

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explained further below, patent assertion companies can lie in wait while entrepreneurs take the risks and expend the effort inherent in building a successful company. The equities in this situation are considerably different from an intentional encroachment on land or other tangible property with clearly defined boundaries

Moreover, to the extent the real property analogy is relevant, courts have held that real property owners are not entitled to injunctive relief where concerns similar to those associated with patent assertion companies have been identified. For example, courts have refused injunctions against encroachment to real property where the hardships tip in the defendants' favor. *See Miller v. Johnston*, 270 Cal. App. 2d 289, 307–08, 75 Cal. Rptr. 699, 710–11 (1969); *Riter v. Keokuk Electro-Metals Co.*, 248 Iowa 710, 726–28, 82 N.W.2d 151, 161–62 (1957).

[8] *See, e.g., Miller*, 270 Cal. App. 2d at 307-08, 75 Cal. Rptr. at 710–11 (landowner did not suffer irreparable harm from continuing trespass over land because land in question was being used for a driveway).

house, multiple parties can use the same innovation simultaneously—often without even being aware they are doing so. These differences can have significant implications with regard to the adequacy of monetary relief.

Where a patentee practices the invention covered by its patent, or its business depends on its ability to provide its partners the exclusive right to practice the invention, the ability of a competitor to continue using the invention in the patent may reduce or eliminate the patentee's market—and an injunction may be the only remedy capable of preventing irreparable harm. This is the traditional use of patents, and hence it is not surprising that in such circumstances, where patent infringement has been found, courts have granted injunctions.

Where a patentee's sole business is to license the invention in its patent to as many companies as possible, however, an infringer's continued use of the patent does not detract from the patent owner's market or the value of the patent to the patent owner. Any dampening effect on the willingness to take licenses under patents infringed by others is overcome by the patent statute's requirement that an infringer compensate the patent owner by an amount no less than a reasonable royalty rate and the availability of enhanced damages. 35 U.S.C. §283.[9] Damages are an

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[9]Dire predictions that without the threat of an injunction patentees will be unable to license their inventions absent a lawsuit are simply unsupportable. In the wireless telecommunications industry, for example, products and services often implicate hundreds of patents. Most industry participants—like RIM—will receive several assertion letters each year. It makes no sense for a business to expend the time, expense and media exposure inherent in multiple lawsuits if it is able to obtain a license on fair and reasonable terms for the patents it requires. The likelihood is far greater that technology companies will license questionable patents in order to avoid litigation, even without the threat of an injunction.

In fact, as discussed earlier, several organizations formed to develop wireless communication protocols require that their members agree to license essential patents on fair, reasonable and non-discriminatory terms—and preclude participants from seeking an

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adequate remedy and the patentee will not suffer irreparable harm merely from the ongoing use by others. To the contrary, the simultaneous use of its patents by multiple companies is the crux of a patent assertion company's business. While the nature of the right is the same in both instances, the nature of the remedy required to address the injury is simply different.

Because the Federal Circuit's opinion can be read to limit the trial court's discretion and truncate the traditional equitable injunction analysis based on the patent infringement remedy flowing from the patent's "property" right, patent assertion companies will be placed in a position to use the threat of an injunction to obtain payment that far exceeds the value of its patented invention. Such a remedy puts the patentee not in the same position it would be had it not been wronged, but rather affords the patentee a payment far in excess of the value of the invention that has been taken. Given these complexities, the remedy for continuing infringement of patent rights should be guided by the exercise of discretion in balancing the traditional equitable factors in the particular case in light of the underlying purpose of the patent laws—the promotion of the useful arts—and not be predetermined by the nature of the right breached.

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injunction if such terms are accepted. The ability to license patents without the threat of injunction is amply illustrated by the healthy state of licensing among these market participants.

III.

PRINCIPLES OF EQUITY REQUIRE A SEARCHING EQUITABLE ANALYSIS PRIOR TO ISSUANCE OF AN INJUNCTION.

Unless trial courts are permitted, indeed directed, to undertake a searching equitable analysis, they will be unable to address the enormous hardship to technology companies caused by patent assertion companies that exist for the sole purpose of asserting "paper" patents against operating companies.

RIM is mindful of considerations important to research conducted by universities and research institutions that often results in patentable innovations that the institution itself most often will license along with its know-how to make new products available to the public. Similarly, in the pharmaceutical industry, many rounds of expensive testing over a period of years necessarily precedes commercialization of a patentable product. The company that develops the product or service may not be the company that eventually brings it to market, and may never "practice its invention." The activities of these companies clearly further the Constitutional objectives of patent law and RIM does not advocate any sort of wooden rule that would preclude injunctive relief to vindicate patents issued in these circumstances. By the same token, enforcement through injunction of pharmaceutical industry patents or university research patents does not depend upon the opposite rule that injunctions must be granted against patent infringement even in cases involving patent assertion companies wielding the threat of injunction to extract payments bearing no relationship to the value of the patented invention.

Businesses engaged in bringing products or services to the marketplace must make substantial investments, develop

partner or customer relationships and provide value long before generating profits. The output of a patent assertion company is a steady stream of letters mailed to operating companies demanding licensing fees—and promising litigation (and the threat of injunction) if they are not paid off promptly. The only strategic business decision patent assertion companies make is identifying the most vulnerable and lucrative targets: companies that over the years have taken risks, invested hundreds of thousands or even millions of dollars, developed products or services and customers and become successful. A patent assertion company's perception that permanent injunctions are routinely available only increases its demands. As several pre-Federal Circuit courts recognized, patent injunctions are "not intended as a club to be wielded by a patentee to enhance his negotiating stance." *Foster v. American Mach. & Foundry Co.*, 492 F.2d 1317, 1324 (2d Cir. 1974) (injunction refused where plaintiff was not exploiting patent and injunction would harm defendant); *see also Nerney v. New York, N.H. & H.R. Co.*, 83 F.2d 409, 411 (2d Cir. 1936) (finding that where "the only real advantage to a plaintiff in granting the injunction would be to strengthen its position in negotiating a settlement, an injunction should not issue"; denying injunction on finding that that remedy would create public convenience and safety issues).[10]

A litigant that values its claim based solely on the damage it can inflict does not show irreparable harm, but only that its business model is based upon the ability to threaten whatever "targets of opportunity" it can find.[11] Given such

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[10]In this sense, in seeking permanent injunctions, patent assertion companies ask courts for injunctions to accomplish exactly what this Court has expressly condemned: to "restrain an act the injurious consequences of which are merely trifling." *Weinberger*, 456 U.S. at 312.

[11]The lack of irreparable harm for a patent assertion company is especially apparent in cases, such as this one, where the PTO has raised

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prominent targets as eBay and RIM, patent assertion companies eschew any actual development or deployment of technology. Instead, they work to increase their bargaining power against operating companies that do what they would never attempt. The Wall Street Journal calls the resulting litigation boom "the emerging legal black art of patent blackmail." *See* Lee Gomes, *Patenting Good Ideas Could Hurt Companies Rather Than Aid Them*, WALL ST. J., Aug. 23, 2004 at B1, *available at* http://online.wsj.com/article/0,,SB109321585862298031,00.html?mod=todays_us_marketplace. According to the Journal, such claims are "a great moneymaking scheme: buy a general and vague patent, then mail boilerplate notices of infringement to a few hundred companies. . . . [I]f someone accuses you of 'patent extortion,' simply drape yourself in the flag of innovation and claim you are protecting small inventors from greedy big corporations." *Id.*[12]

The risk of becoming a victim to a claimant of vague and general patents is significantly exacerbated as patents are now as likely to cover business tools to protect market share as they are to protect new inventions. As in the instant case,

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significant doubt as to the validity of the patents at issue, since the cloud on the patent's validity would affect any potential licensors' willingness to take a license. In fact, the patentee would likely be unable to enforce those claims against others unless and until the initial rulings are overturned and they are ultimately found to be valid.

[12]According to *BusinessWeek*:

> [T]he current judicial culture . . . has put many businesses at the mercy of so-called "patent trolls," outfits that exist solely to buy up hundreds or thousands of obscure patents with the expectation that they'll eventually manage to extract lucrative licensing agreements from businesses in need of the technology, or sue for infringement if they can't. (Lorraine Woellert, *Did RIM Pay Too Soon?*, BUSINESSWEEK ONLINE, April 8, 2005, *available at* http://www.businessweek.com/bwdaily/dnflash/apr2005/nf2005048_4289_db016.htm)

companies now assert "business method" patents that assert a right to exclude against any other company that would use the same general methods recited in that patent. As a notorious example, a bank chain recently received a business method patent for "creat[ing] a welcoming and inviting environment for a customer," providing such novel banking "inventions" as having a receptionist to greet customers, and providing convenient shelves upon which customers may write checks. *See* "System for providing enhanced systems management, such as in branch banking," U.S. Patent No. 6,681,985 (filed Oct. 5, 2001). Given the vagueness of such patents, and a mentality that "all we need is one claim on one patent to shut them down," the risks posed by the patent assertion companies are clear: any company providing writing surfaces (or a receptionist) for customers may be at risk. In this climate, it is difficult not to concur with the District Court that the public interest is an appropriate consideration in granting injunctions for "business method" patents.

RIM does not believe that the ability to use the threat of an injunction to leverage a payment reflecting the value of a company and not the value of the patent is the sort of leverage that the Federal Circuit had in mind when it stated that "[i]f [an] injunction gives the patentee additional leverage in licensing, that is a natural consequence of the right to exclude . . . ." *MercExchange v. eBay*, 401 F.3d at 1339. This Court, however, needs to direct courts to take into account the evolving nature of patents and their assertion to ensure that injunctive relief is not used by patent assertion companies to create potential liability for technology companies far disproportionate to the value of the patented invention in the infringing product or service. The courts are uniquely positioned to ferret out the facts relevant to the equities weighing for or against injunctive relief in any particular case—including the nature of the product, the industry involved and the proportionate value of the patent as compared to the infringing product. *See* Dan L. Burk &

Mark A. Lemley, *Policy Levers in Patent Law*, 89 VA. L. REV. 1575, 1665–67 (2003) (discussing the deep structural differences in the ways in which innovation occurs across industries and advocating that courts take industry-specific variation into account in applying general patent rules so as to avoid holdup or anti-commons problems).

This Court need not overrule *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405 (1908) in order to affirm the power of the district courts to engage in equitable analysis. In *Continental Paper Bag*, the patentee was a participant in the paper bag industry and had developed its invention for use in its business. Although it had chosen not to use its invention due to the prohibitive cost of re-equipping its plant with new patented machines, it would likely use the invention at some point when its existing capital infrastructure wore out. *See* 210 U.S. at 428–29. The patentee refused to license its inventions to others in order to ensure that its competitors would not gain competitive advantage through the use of the patentee's own invention. It may well have been irreparably harmed had others, without its investment in capital infrastructure, been able to use the modification to the machinery covered by its patents to compete against it. Given these circumstances, the Supreme Court held that "it is certainly disputable that the nonuse was unreasonable . . ." (*id.* at 429), and that the mere fact that competitors were excluded from use did not prevent the issuance of an injunction. Damages would not have been an adequate remedy in those circumstances and the result in *Continental Paper Bag* is thus consistent with a traditional analysis.[13]

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[13]To the extent that this Court believes that *Continental Paper Bag* contains *dicta* to the effect that the reasons underlying non-use are irrelevant to the availability of injunctive relief for patent infringement, it should disregard this *dicta*.

The Court needs to direct courts to balance all of the traditional equities under Section 283, including the adequacy of remedies at law for and irreparable harm to the patent owner. Importantly, the *Continental Paper Bag* court itself engaged in an equitable examination by looking to the public interest. The Court determined, however, that the rights of the public were not implicated, since "[t]here was no question of a diminished supply or of increase of prices . . . ." 210 U.S. at 429. The Court specifically declined to decide whether a court in future cases might withhold injunctive relief in view of the public interest. *Id.* at 430. Even the Court's brief comments on public interest, however, suggest it had a much broader concept in mind than the frustration of "an important public need for [an] invention."

Although RIM itself has many patents to protect, it believes patent litigants should have leverage and bargaining power based on the legal merit of their claims, rather than on their ability to disrupt other businesses. This Court should act to ensure that Section 283 is interpreted in a manner that precludes the threat of an injunction being used to extract far more than a reasonable compensation for a patent right.

CONCLUSION

It comes as little surprise that those engaged in activities that most clearly promote the progress of the useful arts are most likely to be irreparably harmed if they cannot enjoin others from practicing their inventions. These are the very activities that patent rights were established to encourage, and it was to address the needs of these patentees that Congress made the injunctive remedy available. But Congress did not make injunctive remedies available in every instance, and this Court ought not permit courts to truncate the traditional analysis of when this equitable remedy is appropriate. To do so is contrary to the objectives underlying patent law

and will likely have serious implications for the technology-centric U.S. economy. Accordingly, RIM respectfully urges the Court to reverse the holding of the Federal Circuit and confirm that courts must conduct a full and searching equitable analysis in considering whether to issue permanent injunctions pursuant to Section 283.

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Respectfully,

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